

## DEPARTMENT OF FINANCE BILL ANALYSIS

**AMENDMENT DATE:** April 20, 2010  
**POSITION:** Neutral  
**SPONSOR:** East Bay Municipal Utility District and Alameda County

**BILL NUMBER:** SB 1035  
**AUTHOR:** L. Hancock

### **BILL SUMMARY:** Municipal Utility District: Delinquent Charges

Existing law authorizes a municipal utility district (MUD) providing water and/or sewer service to require the owner of record of real property within the MUD to pay the charges for services rendered to a lessee or tenant. However, if the owner fails to make these payments, the MUD is prohibited from placing a lien on the property.

This bill would establish procedures, and a sunset date of January 1, 2016, for a MUD to collect delinquent fees and charges by placing a lien on the residential property for the furnishing of water or sewer service to the residential property. In addition, any MUD that places a lien on such properties, on or before December 31, 2014, is required to submit a specified report to the Assembly and Senate Committees on Judiciary on or before January 1, 2015.

### **FISCAL SUMMARY**

This bill would have no fiscal impact on the state.

Finance concludes that the bill would not impose a state reimbursable mandate because local auditors and recorders, who are required to take certain actions regarding collection measures requested by a MUD, could charge fees to the MUD to finance their costs of implementing the collection measures. Therefore, the "self-financing authority" in Section 3 of the bill is appropriate.

### **COMMENTS**

The Department of Finance is neutral on this bill because it would have no fiscal impact on the state and involves a policy issue on which we are neutral.

The need for this bill stems from the fact that when water bills are not paid, MUDs are forced to either shut off water service or subsidize the cost of continued water service by charging other ratepayers more for water service. When water is not available to maintain landscaped exteriors, neighborhoods may take on a blighted appearance, potentially reducing property values. While water and sewer municipal utility districts are currently prohibited from filing liens against property owners for failing to pay their bills, this bill would allow all MUDs (excluding electric) to place the delinquent utility charges on the real property tax roll as a lien, if certain requirements are followed. Allowing a MUD to file a lien on the property is intended to encourage the property owner to pay the charges that are due.

We note that a similar bill (AB 1333, Hancock) was vetoed by the Governor last year.

Analyst/Principal (0683) K. DaRosa	Date	Program Budget Manager Karen Finn	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

<b>BILL ANALYSIS</b>	Form DF-43 (Rev 03/95 Buff)
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**BILL NUMBER**

SB 1035

		SO	(Fiscal Impact by Fiscal Year)						
Code/Department	LA	(Dollars in Thousands)							
Agency or Revenue	CO	PROP							Fund
Type	RV	98	FC	2009-2010	FC	2010-2011	FC	2011-2012	Code
8660/PUC	SO	No		-----	No/Minor	Fiscal Impact	-----		0462
<u>Fund Code</u>	<u>Title</u>								
0462	Publ Utilities Comm Utilities Reimb Acct								